



J. TYLER McCAULEY  
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION  
500 WEST TEMPLE STREET, ROOM 525  
LOS ANGELES, CALIFORNIA 90012-2766  
PHONE: (213) 974-8301 FAX: (213) 626-5427

January 23, 2006

TO: Mayor Michael D. Antonovich  
Supervisor Gloria Molina  
Supervisor Yvonne B. Burke  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe

FROM: J. Tyler McCauley   
Auditor-Controller

SUBJECT: **DEPARTMENT OF PUBLIC WORKS SECURITY SERVICES  
CONTRACT - JANUARY 17, 2006 AGENDA ITEM 28**

At the January 17, 2006 meeting, your Board asked us to evaluate a claim by California Security, Incorporated (CSI) that the Department of Public Works (DPW) had inappropriately rejected their proposals to provide Armed and Unarmed Security Services. CSI's proposal was rejected because CSI failed to provide a bid guaranty. CSI is the current contractor at various DPW facilities.

Our review indicates that CSI did not provide the required bid guaranty and that, under the Requests for Proposals (RFP), bids that did not provide the guaranty would be rejected. We did note that the County needs review its policy on the use of bid/performance guarantees in RFPs. The following are the detailed results of our review.

**Background and Scope**

In October 2005, DPW released two RFPs for Armed and Unarmed Security Services, one for DPW Headquarters and one for various other facilities. The RFPs required the bidders to address two separate guarantees or bonds; a bid guaranty to ensure that the selected bidder would actually accept the contract and meet the pre-contract requirements, and a performance bond from the selected contractor to protect the County in the event the contractor failed to provide the required services during the contract term. The RFP required that the bid guaranty be submitted with the proposal. The bid guaranty was supposed to equal 10% of the proposer's price. The RFP allowed

the selected contractor to provide the performance bond within two weeks of the contract award.

DPW received five proposals in response to each RFP, including a proposal on each RFP from CSI. After a preliminary review of all proposals, DPW rejected CSI's proposals because CSI did not provide the required bid guaranty.

To evaluate CSI's claim that their bid was improperly rejected, we reviewed the RFPs, CSI's proposals, and the results of the Disqualification Review that reviewed DPW's disqualification of CSI. We also met with CSI management and DPW staff, and discussed the use of bid guarantees with DPW, County Counsel, Internal Services Department (ISD) and the Office of Public Safety (OPS).

### **Results of Review**

Our review of CSI's proposal indicates that CSI did not comply with the RFP requirement to submit a bid guaranty with their proposal. All four of the other proposals for both RFPs included the required bid guarantees. The RFP stated that any proposal that did not include the required bid guaranty would be rejected. Therefore, DPW's rejection of CSI's proposals was in compliance with the RFP.

CSI's proposals did include a letter from an insurance agent indicating that CSI would provide a bond upon award of the contract with DPW. While the RFP allowed bidders to provide the performance bond after award of the contract, the RFP required the bid guaranty to be included with the proposal and not after the contract was awarded. CSI indicated that they believed the bid guaranty requirement in the RFP was "ambiguous". However, they did not request clarification of the requirement from DPW and, as previously noted, the other four proposers included the required bid guaranty with their proposals.

CSI appealed DPW's rejection of one of their proposals through the Disqualification Review process discussed in the RFP. The Review concluded that CSI did not comply with the RFP bid guaranty requirement, and agreed with DPW's decision to reject both of CSI's proposals.

### **Bid Guaranty Requirement**

As part of our review, we reviewed DPW's use of bid guaranty requirements in their RFPs. DPW staff indicated that they recently started including bid guarantees on security services because of instances where the selected proposers did not comply with all the requirements. DPW indicated that bid guarantees are intended to protect the County from costs incurred as a result of the proposer's actions. If a contractor executes the agreement, and fully complies with the contracting requirements, the bid guaranty is returned to the contractor.

**Board of Supervisors**

**January 23, 2006**

**Page 3**

It should be noted that one of these instances of vendors who did not comply with the contract requirements was CSI's failure to provide a performance bond for its prior contract for security services at various DPW facilities. However, DPW did not identify CSI's failure to obtain the required performance bond until a year and half into the three-year contract term.

We discussed the use of bid guarantees with ISD, OPS and County Counsel. OPS indicated that the County is trying to minimize the use of bid/performance guarantees because they may be burdensome to small firms. However, County Counsel indicated that, while the County policy is to minimize the use of bid/performance guarantees, departments may require these guarantees if they believe they are needed to protect the County's interests. Therefore, DPW and other departments may elect to include bid/performance guaranty requirements in their RFPs. To ensure consistency in County RFP requirements, we recommend that the County contract managers network review the use of bid/performance guarantees.

Please call if you have any questions, or your staff may contact Jim Schneiderman at (626) 293-1101.

JTM:MMO:JLS:MM

c: David E. Janssen, Chief Administrative Officer  
Raymond G. Fortner, Jr., County Counsel  
Donald L. Wolfe, Director, Department of Public Works  
Dave Lambertson, Director, ISD  
Garry Martin, President and CEO, California Security, Inc.  
Public Information Office  
Audit Committee